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CENTRAL INTELLIGENCE AGENCY

REPORT NO. [REDACTED]

## INFORMATION REPORT

25X1A

COUNTRY China

DATE DISTR. 20 September 1948

SUBJECT Economic Information: Black Market in Gold Caused by Tactics of Government Bank NO. OF PAGES 1

PLACE ACQUIRED [REDACTED]

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1. Black market activity is increasing among the local gold shops in the purchase of gold bars. The government bank pays \$200 gold yuan (GY) for one liang of gold, while the gold shops offer GY \$245.
2. The action of the government bank in its gold purchases is creating the black market. The bank refuses to pay 100 percent of the value by weight, takes 2 percent as commission, and undervalues considerably the percentage of gold content; and once the bank has the gold bar in its possession the owner can only take what he is given. The black market offers the full value by weight of the gold.  
**Comment.** The bank should be realistic and give full value for the gold brought in, even if at a small loss to the bank, in order to gain the people's confidence.)
3. Activity in US currency remains small.
4. Apparently much of the gold goes to the Communists, since the purchases of export commodities (bristles, peanut oil, hair nets, etc.) coming from the Communist-held areas must be paid for in US dollars or gold bars.

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